



Retail and Business Banking
Sector Economics
AgriBusiness
16 March 2021



Agri Trends: Grains and Oilseed Report

Global prices lose momentum, currency direction unclear.

Maize: Week-on-week movements in local prices have been small, with monthly price movements closely following the strengthening of the rand. It is expected that this will continue over the outlook period where macroeconomic indicators from the US could provide cues on the trajectory the currency will follow in coming months.

Wheat: Global prices lost some momentum on the back of announcement from Russia, which points to the lift of export restrictions combined with good conditions of crops in the Northern hemisphere. This ease in prices is also reflected in local prices movements. As with maize, exchange rate movements will play a key role in price levels over the outlook period.

Oilseeds: Global soya products are seeing divergent trends with oil finding support from increases in vegetable oil demand, while meal prices found resistance with Chinese animal disease issues curbing global price growth. However, soybean exports from the US still point to strong global demand. Locally, prices are expected to trade sideways with the large projected harvest offsetting price gains that might be transmitted from global markets.

Abrie Rautenbach
+27 67 417 1645
Abrie.Rautenbach@absa.africa

Marlene Louw
+27 060 881 2450
Marlene.Louw@absa.africa

Paige Bowen
+27 66 288 9429
Paige.Bowen@absa.africa

www.absa.co.za

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

We are implementing some changes to our Agri Trends Reports to improve your user experience and generate the insights in a shorter time for timelier reporting. If you have any feedback, please send it to Marlene.Louw@absa.africa

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Maize market trends

International maize market

CBOT corn prices decreased slightly week on week by 0.8%, but are 2.1% higher than prices in middle February. Prices remain firm on the back of strong exports from the US over the past three weeks. In Brazil, certain key production regions are behind on planting. This is expected to affect yields. This also pushed global prices higher in terms of a monthly and yearly perspective. Parity price levels have trended lower week on week due to a combination of slightly lower world prices and a strengthening exchange rate. The USD/ZAR exchange rate is 2.6% stronger compared to exchange rate levels in mid-February. Currency analysts note that the rand is struggling to find direction, hovering around USD 15.00 to the rand over the past weeks, and that the market can look to the US interest rate announcement by the Federal Reserve on for cues on direction.

	R/USD	Near month CBOT corn (\$/ton)	USA YM Import Parity Randfontein (R/ton)	US YM Export Parity Randfontein (R/ton)	Argentina YM Import Parity Randfontein (R/ton)
Price	14.93	216.92	5 129	3 034	4 859
w/w	-2.9%	-0.8%	-3.05%	-5.0%	-1.9%
m/m	2.6%	2.1%	4.9%	3.0%	3.6%
y/y	0.4%	27.1%	25.9%	32.3%	25.4%

Local maize market

Spot prices of both white and yellow maize showed slight movements over the past week with month-on-month prices increasing by slightly less than 2.5%. These movements correlate to the exchange rate movements over the corresponding period and given the sizable maize crop projected for the current season, it is expected that exchange rate movements and world prices will be the key drivers of prices over the coming months.

	JSE WM spot price Randfontein (R/ton)	White maize Apr-21 (R/ton)	White maize Jul-21 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Apr-21 (R/ton)	Yellow maize Jul-21 (R/ton)
Price	3 213	3 108	3 048	3 322	3 278	3 174
w/w	-0.5%	-1.1%	-1.1%	-0.03%	0.2%	-1.1%
m/m	2.4%	3.6%	2.4%	2.6%	2.3%	3.2%
y/y	11.7%	NA%	20.0%	31.8%	NA%	20.1%

Outlook

Our outlook for March to May 2021 remains unchanged from the previous Agri Trends Report on Grains and Oilseeds released on 1 March 2021. This is based on strong demand met by sufficient supply as we enter the Southern hemisphere harvesting season. As mentioned above, exchange rate movements over the outlook period will be a key determinant of prices and releases on key macroeconomic indicators in the US could provide some guidance as to the trajectory the currency will take over the coming months.

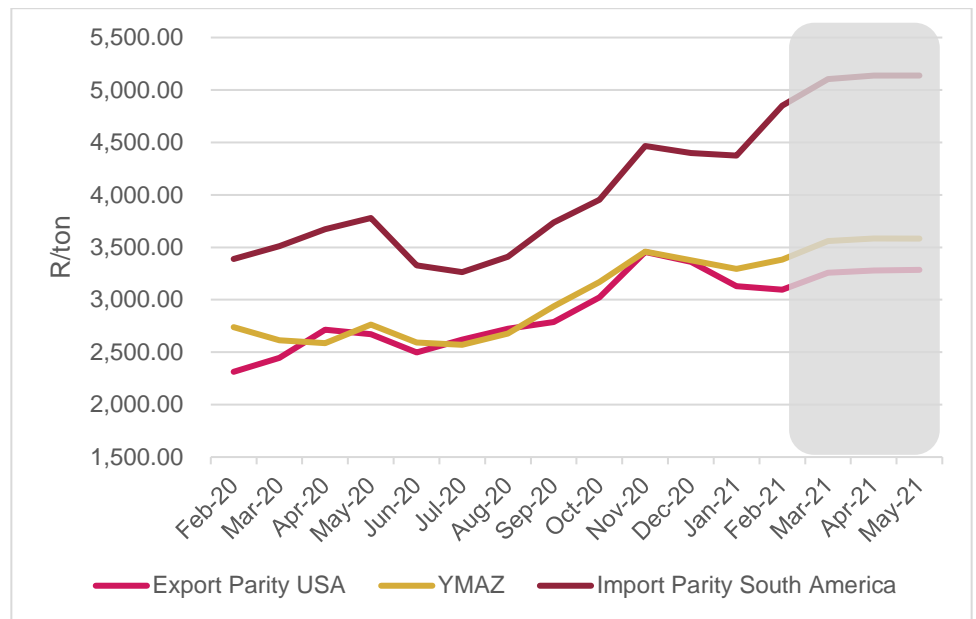


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

Global short-term prices of wheat decreased on the back of Russia indicating that they will lift export restrictions as soon as its local market stabilised, combined with a strong production outlook for wheat in the US for the current production season. Year-on-year prices are still substantially higher due to the strong price run of grains in general. The USDA adjusted wheat use for feeding in China upwards, which is supporting prices compared to previous years. This increase is, however, partially offset by a large wheat crop from Australia.

	R/USD	CBOT SRW near month (USD/t)	Kansas HRW near month (USD/t)
Price	14.93	284,5	267.1
w/w	-2.9%	-2.9%	-3.0%
m/m	2.6%	-2.3%	-7.9%
y/y	0.4%	21.5%	23.7%

Local wheat market

Global prices and exchange rate movements have caused week-on-week prices to decrease, with month-on-month prices showing an increase of around 4.7%. Current high global prices are expected to bolster plantings as we are approaching planting season.

	JSE spot price (R/ton)	May-21 (R/ton)	USA Import Parity (R/ton)
Price	5 198	5 199	5 593
w/w	-1.8%	-2.3%	-3.5%
m/m	4.7%	3.6%	3.2%
y/y	4.8%	-	8.4%

Outlook

In our previous Agri Trends Grains Report in the first week of March, we anticipated that global prices of wheat will support local prices to higher levels. Since then, Russia's stance on exports and a sizeable US crop have curbed short-term price growth. Our view is that long-term fundamentals, such as strong Chinese demand, will support prices, but we adjust the trajectory of our price growth to be more moderate to account for favourable supply news from Russia and the US.

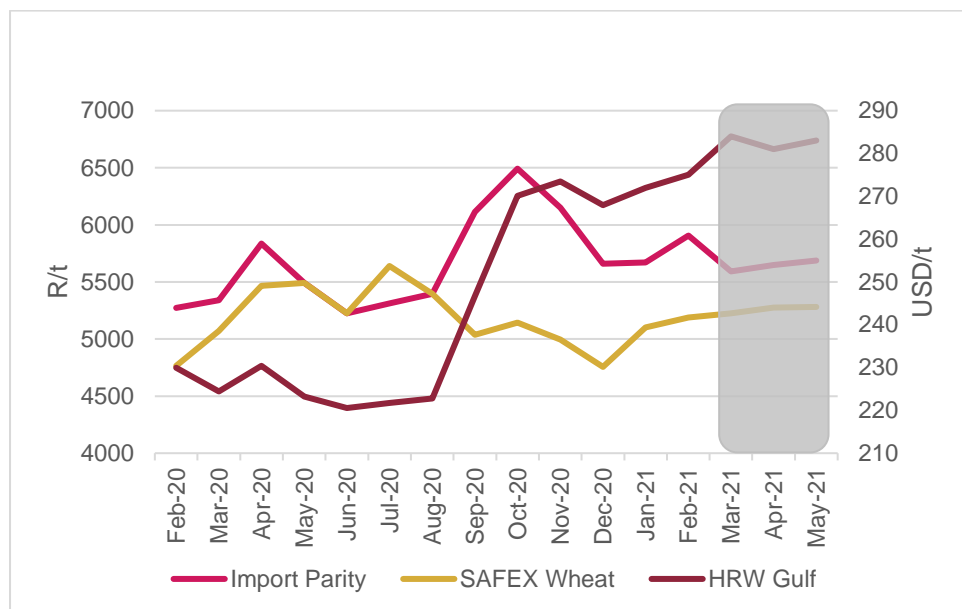


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

International soya prices have seen divergent trends over the past weeks, with soya oil prices increasing substantially, while soya meal prices decreased. The former is receiving support from increases in other oil products such as palm oil, while the latter is on the back of increased fears associated with the spreading of African Swine Fever in Chinese swine breeding stock. This has affected Chinese prices which, in turn, had a negative effect on CBOT soya meal prices as indicated below. All soya prices are significantly higher than the corresponding period in 2020.

	R/USD	Soybean CBOT (USD/ton)	CBOT soya oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.93	458	55.36	400.7
w/w	-2.9%	-3.5%	6.8%	-4.2%
m/m	2.6%	-9.0%	21.9%	-6.2%
y/y	0.4%	35.1%	111.3%	32.3%

Local oilseed market

Local soybean prices have tended marginally lower with month-on-month movements being more pronounced. The downward pressures on prices since mid-February is a combined

effect of the substantial projection for the South African soybean harvest, combined with global prices trending lower. Sunflowers, in turn, are trending upward with a 1.9% increase week on week and a 13.4% increase year on year. This is due to the estimated production for local sunflower being lower compared to 2020. In addition to this, farmers are reporting the prevalence of Sclerotinia, which is expected to affect yield.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	10 282	8 746	9 900
w/w	5.2%	-0.7%	1.9%
m/m	5.6%	-4.6%	13.4%
y/y	44.7%	40.0%	78.4%

*Derived soybean price: Calculated price based on the imported price for soybean oil and oilcake

Outlook

In our Agri Trends Grains Report at the beginning of March, we anticipated that local soybean prices will move sideways. This notion was supported by firm global prices, combined with a large local harvest. In the past two weeks, prices have decreased due to a strong exchange rate and global prices for soya meal trending lower. Although global soya meal prices have lost momentum over the past weeks, we feel that strong export soybean levels from the US still suggest firm demand. Our projections for soybeans therefore still anticipate prices to move sideways. For sunflower, we adjust our trajectory to reflect the upward sunflower price trend apparent over the past months. As mentioned above, this is supported by lower area and yield estimates for the current season and global vegetable oil prices in general trending higher.

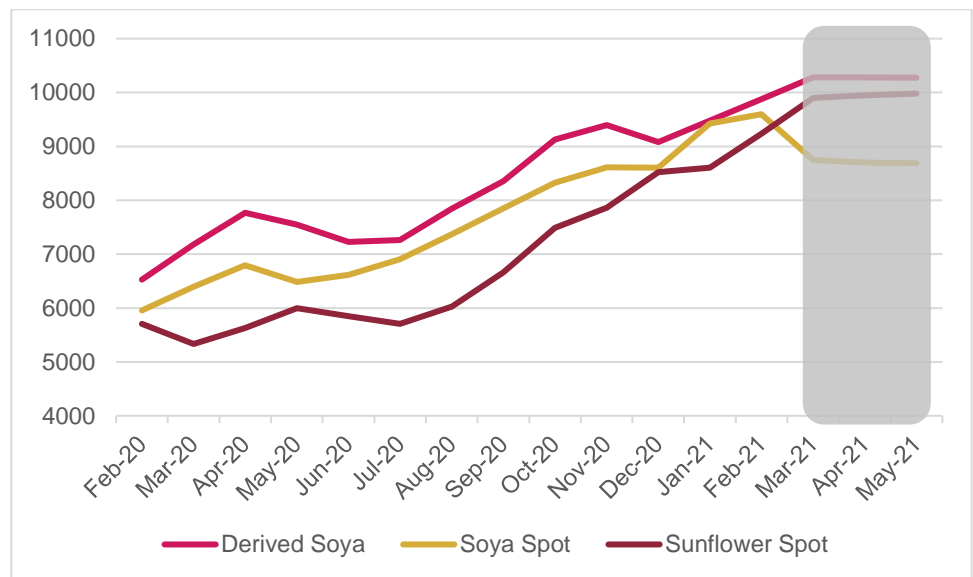


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecasts